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DE RUEHVI #3583 3541046  
ZNR UUUUU ZZH  
P 201046Z DEC 06  
FM AMEMBASSY VIENNA  
TO RUEHC/SECSTATE WASHDC PRIORITY 5812  
INFO RUEHZL/EUROPEAN POLITICAL COLLECTIVE

UNCLAS VIENNA 003583

SIPDIS

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STATE FOR EUR/AGS - SAINT-ANDRE

E.O. 12958: N/A

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SUBJECT: AUSTRIAN GOVERNMENT FORMATION: JANUARY 11 SET FOR  
SWEARING-IN -- BUT NO AGREEMENT YET IN SIGHT

REF: A. VIENNA 3354

**1B. VIENNA 3202 AND PREVIOUS**

This message is SENSITIVE BUT UNCLASSIFIED. Please handle accordingly.

1. (SBU) Summary: Austria's political leadership has declared that there will be a new government on January 11. The parties agree in principle that the new government should be a Grand Coalition, but they have not yet reached agreement on key issues. The possibility remains that the Social Democratic Party (SPO) will have to go it alone in a minority government. By setting a date before having all the pieces in place, the parties run a risk of failure. However, this move has replaced a sense of political drift with a sense of urgency. Many expect the talks to fail, resulting in a minority government -- and the prospect of new elections in 2007. End Summary.

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Date Set -- But Will They Get to the Church on Time?  
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2. (SBU) On December 14, the leaders of Austria's two principal political parties, the conservative People's Party (OVP) and the Social Democratic Party (SPO) announced that they had agreed to set Thursday, January 11 as the date for the swearing-in of the new Austrian government. President Heinz Fischer told the Ambassador that the date would hold if the parties could agree on a Grand Coalition. If they cannot do so, he added, the date will slip.

3. (SBU) Both the SPO and the OVP made it clear that they still had a lot of work to do to reach an agreement upon which to base a Grand Coalition. The SPO's Alfred Gusenbauer, who would be Chancellor in any such arrangement, said of the date, "That is the schedule. Either we'll make it or we won't." For his part, current Chancellor and OVP leader Wolfgang Schuessel called it a "realistic schedule, that's possible if everyone cooperates." The SPO and OVP will hold several rounds of coalition talks through the holiday season, something that is unusual, if not unheard-of, in Austria. The schedule calls for a final round of talks on Monday, January 8. This leaves little time for last-minute deals, if the deal is not done by then.

4. (SBU) Realistic or not, all sides admit that they may not be able to meet this schedule. President Fischer, who has supported the formation of an SPO-OVP Grand Coalition from the start, refused to comment publicly on whether he could imagine presiding on January 11 over the swearing-in of an SPO minority government. "The Grand Coalition has first priority," he told the press. "We'll put a period after that sentence," he said. However, he went so far as to say that he would have to "think very carefully" about the situation if the coalition talks were to collapse.

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A Shotgun Wedding?  
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5. (SBU) Both Gusenbauer and Schuessel denied that setting a date constituted a "shotgun wedding." However, they acknowledged that President Fischer had worked to convince the two that they could not leave the date for the formation of a government hanging in the air. Fischer's initiative has changed the political mood, giving a sense of expectation -- and urgency -- to the coalition negotiations. However, many politically aware Austrians do not believe the talks will result in a Grand Coalition. Instead, they think the talks will collapse, and an SPO minority government will take office sometime in mid-January. Austrians expect that such a scenario would result in new elections by the Summer of 2007.  
MCCAW